

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS HANOI 002003

SIPDIS

STATE FOR EAP/BCLTV
STATE ALSO PASS USTR FOR EBRYAN
USDOC FOR 6500 AND 4431/MAC/AP/OPB/VLC/HPPHO

E.O. 12958: N/A

TAGS: [EFIN](#) [ETRD](#) [EINV](#) [VN](#) [IPROP](#) [ASEAN](#)

SUBJECT: VIETNAM: US-ASEAN BUSINESS COUNCIL MEETINGS IN HANOI

1. During a visit to Hanoi July 12-13, 26 member firms of the US-ASEAN Business Council, accompanied by Ambassador and embassy officers, met with key GVN leaders including Prime Minister Phan Van Khai, Deputy Prime Minister Vu Khoan, Foreign Minister Nguyen Dy Nien, Finance Minister Nguyen Sinh Hung, Trade Minister Truong Dinh Tuyen, Minister of Planning and Investment Vo Hong Phuc, and Politburo Member Phan Dien. At these meetings, the firms described their concerns about doing business in Vietnam. Outlined below are the key issues raised.

-- Insurance licenses: Noting that this was its highest priority, the Council called on the GVN to issue long-pending licenses to three US firms, ACE and New York Life for life insurance, and American International Group (AIG) for non-life.

-- Transparency: The Council called for Vietnam to continue to enhance transparency and rule of law throughout the government. Government procurement should also be fair and transparent.

-- IPR and innovation: The council pointed to the need for improved IPR protection in order to foster innovation. In particular, there was concern that satellite television broadcasts should only provide licensed content for which appropriate royalties have been paid.

-- Customs: the council noted that Vietnamese Customs currently inspects every package that enters or leaves the country, even those shipped by express delivery services. This practice can double the time required to deliver goods to and from Vietnam. If such inspections continue, Vietnam may preclude being selected to participate in the global supply chain.

-- Auto Taxes: The Council noted that with the sharp increase in the special consumption tax (SCT) on automobiles, auto sales were down and the operations of firms assembling cars here were facing serious problems. The Ford Motor Company representative noted that full implementation of multi-year increases in the SCT "will absolutely destroy our business." Ford executives also noted that Vietnam is the only market in the world where the firm's sales are "deteriorating."

-- Shipping: Noting that there were reports that the Port of Saigon would be relocating in the future, the council called for transparent information be provided to all companies engaged in shipping activities, not simply to state-owned firms, so that they could make informed decisions about increasing their investments.

2. COMMENT: This US-ASEAN Business Council delegation ranks as one of the largest, most senior business groups to travel to Vietnam in recent years. The tone of the visit was positive, with delegation members expressing optimism regarding commercial opportunities in Vietnam. In turn, GVN officials seemingly grasped the group's message regarding the constructive role member firms could play in supporting Vietnam on WTO accession and other matters of concern to Vietnam. Still, it remains unclear whether the GVN can muster the political will to deliver on key industry concerns. On the priority Business Council issues of operating licenses for three U.S. insurance firms and relief from excessive auto tariffs and taxes, GVN reactions were defensive and non-committal, offering little hint of progress from the GVN positions presented on these topics during the Council's last visit in February of this year. End Comment.
BURGHARDT